

# STEPTOE & JOHNSON LLP

ATTORNEYS AT LAW

Philip S. Khinda  
202.429.8189  
pkhinda@steptoe.com

1330 Connecticut Avenue, NW  
Washington, DC 20036-1795  
Tel 202.429.3000  
Fax 202.429.3902  
steptoe.com

April 16, 2010

Mr. Leon D. Black  
Chief Executive Officer  
Apollo Global Management, LLC  
9 West 57th Street  
New York, NY 10019

## **CalPERS and Apollo**

Dear Mr. Black:

Thank you for your thoughtful proposal, which has become the basis for this new strategic relationship agreement between Apollo Global Management, LLC ("Apollo") and the California Public Employees' Retirement System ("CalPERS"). This letter memorializes the principles and terms that will govern the new strategic relationship, aimed at aligning the interests of the two institutions, with the understanding that you and Joe Dear may revise their implementation as market conditions change and as new investment opportunities present themselves, subject to the formal approval of both Apollo and CalPERS. The requisite approvals for this agreement, once executed, will appear after my signature below.

Apollo has agreed to reduce its management and other fees on funds it manages solely for CalPERS by \$125 million over the course of the next five years, or as close a period as required to provide CalPERS with that benefit, and may include both existing and new investments that Apollo manages solely for CalPERS. Any new investments that CalPERS may make with Apollo will be considered by CalPERS in its sole discretion, based on market terms and appropriate due diligence. As you know, CalPERS has begun its diligence on the new strategic managed account opportunity that Apollo has offered, and it expects to complete that work over the next few months.

Consistent with new standards and policies issued by CalPERS and the importance of related pending legislation in California, Apollo has also agreed not to use a placement agent in connection with securing any future capital commitment from CalPERS. Apollo has also agreed to provide CalPERS with a certification, each quarter, representing that Apollo has not used or paid any placement agent, directly or indirectly, in connection with securing any new capital commitment from CalPERS.

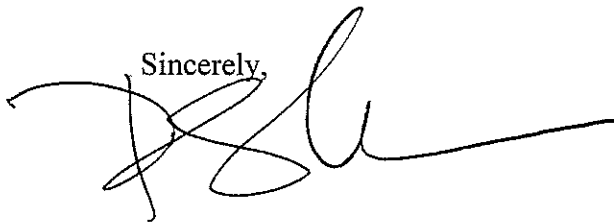
Mr. Leon D. Black  
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Finally, we note our great appreciation for the cooperation that Apollo and its principals have provided to the special review and your commitment to keep doing so. Your efforts were also instrumental in bringing about this new strategic relationship agreement, and set a high standard that we hope others will follow. As the special review remains underway, please be advised that this agreement is without prejudice to the rights of any party to pursue any action that may be deemed appropriate in view of its ultimate findings.

Thank you again for your service to CalPERS over the years and your assistance to the special review.

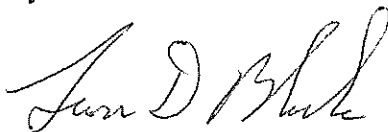
Sincerely,



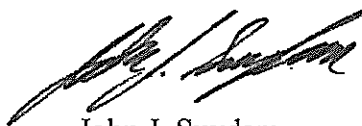
Philip S. Khinda

Acknowledged and Accepted:

Apollo Global Management, LLC  
By:



Leon D. Black  
Chief Executive Officer

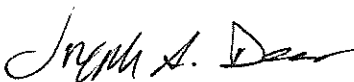


John J. Suydam  
Chief Legal Officer

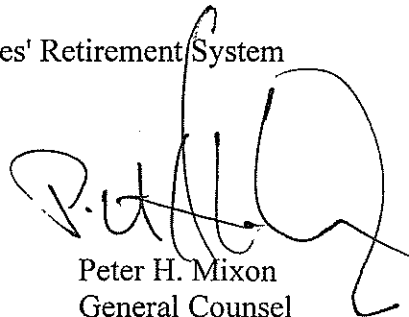


Brad S. Karp  
Chair, Paul Weiss  
Counsel to Apollo

The California Public Employees' Retirement System  
By:



Joseph A. Dear  
Chief Investment Officer



Peter H. Mixon  
General Counsel